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No 5

Science of Value Number 5

THE MARKET

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SCIENCE OF VALUE No. 5

THE MARKET

CONTINUATION OF

"THE DISTRIBUTION OF WEALTH"

By HENRY RAWIE

Author of

Principles of a New Political Economy, etc.

"We are constantly climbing up towards a God that retreats before us, but as we reach the places where he has been we gather up a little of his mystery, we drink of the springs of creation and we become greater by that constant ascent."—HENRY KISTEMAEKERS.

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Wm. W. Hampton, Printer
26 North Pennsylvania Street, Indianapolis

Sound Currency
New York City.

THE MARKET

CHAPTER I.

"LET TIME MAKE YOU RICH," this is the flaming headlines, printed in red ink across the front page of one of our great daily papers.

"Let Time Make You Rich," and it gives many examples of men who were made rich by time, by sleeping while other men were working. But you are told, in the advertisements, that you need money to start with in order to have time make you rich, and the people who sell you the privilege prefer present cash to future wealth.

To have time make you rich you are invited to invest in land values, to buy at prices which are now very much higher than they were a few years ago. The present owners, who bought at low prices, now want to cash in and they calculate the time has come for them to gather their riches and you are invited to make a beginning for the future harvest.

While newspaper and other advertisements are telling of the riches that may be had from owning land, the news columns of our papers are crying for some relief from the stringency of money. Thus in the spring of the year 1906, a time preceding the panic, we may witness a real estate boom on one hand accompanied by a scarcity of money, for other purposes, on the other hand.

All business depends upon being able to get a supply of money freely, and when this supply of money is restricted all kinds of business are likewise restricted.

We are now at the highest point of the most prosperous times this country, or any other country, has ever known. If this prosperity is to terminate by a stringency of money at a time when we are supposed to have the most money and when we have been engaged so busily for years in making money, then it is time to change some of our theories about panics and hard times.

So far as our financial system is concerned we may say, we have now every condition fulfilled, we have everything we ever asked for and yet a great financial disaster looms darkly just ahead of us. For ten years past there has been a continual expansion of the currency, of increase in the world's supply of gold and an increase in the paper money of banks.

Not only has this money increased steadily in volume, but there has arisen no lack of confidence to impair its stability or to interfere with its usefulness. Hand in hand with this generous expansion of money there has been a succession of the most bountiful crops, selling at the most profitable prices.

Not alone has agriculture been yielding her abundant harvests, but manufacturing and trading have been keeping an even pace with farming or have outrun it in the production of wealth. If conditions such as these must end in a stringency of money, which can only be relieved by a panic and hard times, then it must follow that the cause of panics must be sought in the distribution of money and not in the quantity or in the quality of money.

It is not conceivable that money should in itself become the most difficult to get after a long season of great plenty in which we each have had a greater share than ever before. But it is entirely reasonable to suppose that the distribution of money could become so unequal in prosperous times, that it would concentrate to fewer hands and thus compel the users of money to borrow it until we get to the end of the borrowing limit.

It has often been claimed that we are called to an accounting in prosperous times and turned back by our extravagance, because we spend more than we made and we borrow in order to have money to spend. But a slight examination will prove that the mass of spenders cannot become borrowers and their spending is the source of the other man's profits whereby our loaning funds are increased. Unless we buy freely we cannot be prosperous and we cannot accumulate the funds with which to increase our wealth and to pay higher wages.

If you examine bank statements you will find that, in spite of our enormous expenditures and because of them we have grown in wealth in bank deposits more rapidly during this

period than at any other time. Our savings account and our bank deposits are on the same plane with our general business and at no other period in our history have we equaled the present magnitude of savings and accumulation of money in banks.

With a volume of money in circulation of two and one-half billion dollars we have not less than twelve billion dollars deposited in banks available to loan, and these billions of money have the power of expanding our currency to an incredible sum.

What then is the cause of this winding up process whereby the increasing sums of money and the increase in general business meets with disaster that chokes the market in a death struggle and topples it over in a panic?

Whatever may be the cause it is well to first agree that it cannot be any of the causes that heretofore have been blamed with panics and hard times. But we may also agree that the unequal distribution of wealth during periods of prosperity may cause a general failure.

Our problem is like that of the man who was surprised to find himself in jail and was told by his lawyer that there was no law to put him in jail and he could not be there. But he was in jail and since there was no law to put him in, there was no law to get him out and he had to stay in jail until his lawyer could solve the problem.

There seems to be no reason why money should be scarce and every reason why it should be more plentiful than ever before, but it is scarce and will become more so from day to day until we have a panic and then the same money, now scarce will become plentiful by reducing debts and making money free to circulate again.

Although this currency condition seems to be a paradox, to be and yet not to be and to have no parallel, yet we will find its exact parallel in the distribution of wealth in the general market. We see the world literally rolling in wealth which has recently grown and accumulated in enormous quantity.

We have a problem of scarcity of this wealth parallel with our problem of scarcity of money, we have a glut of wealth because it concentrates to but a few owners just as we have a similar glut of money.

Stringency of money is not felt by the owners of twelve billion dollars of bank deposits who may spend five times as much money as we have in circulation if they take time in spending it. But stringency of money is felt by the borrowers and is felt when the growing deposits have been loaned over and over to the point where no new loans can be made and old ones cannot be paid.

We have a condition wherein the users of money are always borrowers who never get out of debt but keep getting in more deeply just as we have a parallel condition where the users of wealth never get out of poverty but are getting in more deeply. Practically all of our corporations, private and public, are never able to earn sufficient money or collect sufficient taxes to meet the growing demands of society.

Managers of corporations find it necessary to borrow money by selling new securities and thereby provide for betterments and equipment that cannot be paid for out of earnings. The low rate of interest called for by new securities can be paid out of earnings but the principal of the debt is never expected to be paid.

During the present season of prosperity beginning in 1898 the great expenditures of railroads, for engines, for cars, for new steel, for general repairs and for new terminal improve ments have been made from borrowed money and billions of dollars have been borrowed for this purpose. The same condition is likewise true in all our cities where the debts grow as in New York City by a hundred million dollars a year in prosperous times.

It is very clear that millions of laborers and the factories supplying the material cannot go on continually at work that depends upon getting deeper in debt. Corporations have a limit to their assets and must reach this limit some time, and then the entire pyramid built upon a foundation of debt must fall like a house built of cards. Equality of distribution requires that old debts should be paid as new debts are being contracted.

We cannot be borrowers all the time, some of the people are required to earn the money that is being consumed in permanent debts. The market cannot stand this constant increase in debts that are never paid as this money becomes a

loss to circulation and reduces the general demand for goods and sets a limit to the market.

From observing these two parallels of poverty; of poverty in the money market and of poverty among the workers during times of great plenty, there arose two conflicting systems of reform. One school observed that when money was being freely and widely distributed all production sprang forward to meet and supply the demand thus created.

From this observation Proudhon conceived his idea of an abundant money supply and free circulation of money with free banking. To Proudhon money was the cause of all civilized activity, and he believed the control of money through law was the cause of all inequality and injustice. He believed if labor could always be sold for its value in money that the natural laws of trade and the natural relations between families would maintain society in perfect freedom and equality, and this philosophy became the basis of Anarchy.

Proudhon's theory was that every man should be able to convert his property or his labor into its value in money on demand, and he believed that free banks of issue would establish social and political equality without government or law or force. He supposed that value was produced by money instead of seeing that money depended upon value in order to circulate, and he failed to see the importance of value as a cause.

The other school, believing that money was only a medium for trade and a measure of value, conceived the idea that the congestion of tangible wealth was the cause of the congestion of money, and that money itself played a very inferior part in society and could be easily replaced by labor checks. This school proposed to reform the tangible relations of property and of labor. Instead of free money they advocate free land, the freedom of all the tools of production and free trade and developed modern socialism. This school makes the fundamental mistake of supposing that labor causes value, whereas labor depends upon value and must work at such occupations as value determines by the circulation of money.

But happily, in this conflict of theories, the great public retained its common sense because the truth was clear that, up

to a given point, the prevailing systems of money and the distribution of wealth gave most excellent results. In every crisis, however, some attempt is made to relieve the trouble of persistent poverty, and because the system we have works so well for a part of the time all popular measures deal with partial remedies of the quack or demagogue order.

We try changes in currency laws to relieve a temporary stringency and we want very many different kinds of reform, suffrage, ballot, referendum, profit sharing, rate regulation, tariff reform, municipal ownership and trust regulation.

We fail utterly to see that these wide and general conditions all over the civilized world must have wide and general causes outside the special machinery of production, and must necessarily be connected with the natural laws that distribute wealth.

CHAPTER II.

Let time make you rich. How delightful! and why not? We might then sleep and amuse ourselves while time worked overtime doing stunts for us.

Let time make you rich. Why not? Read all the advertisements and find how much value has been absorbed by the owners of land while they were sleeping or amusing themselves, and you will learn that fifty billion dollars in riches has been made for the land owners.

But how does time make riches? "By growing,"some one says. Look at the crops that grow wealth while the farmer sleeps, yes, observe them and notice that they must be cultivated, notice also that the farmer has no chance of collecting anything for the time Nature works, the price of the crop is in some way limited to the time and work of the farmer. But, of course, time is not expected to make every one rich, only the selected few, those born in the purple and gifted from God to become overseers of humanity.

Time may make you rich because it takes time for wealth to grow and if you could control time and deal it out to all who had to have time your share would soon become enormous. In such case you would be able to say that your wealth was justly received and was not tainted because you furnished Time and without Time this would be a sad world indeed.

If the users of time complained that their share of wealth just kept them alive while you had millions you could not use, you could say that the poor were extravagant with the Time you furnished; had they been more economical they would have had more time to work for themselves. If they replied that whenever they were economical and saved time for themselves you found you could take this saving for your increased share and did so, you could then call them agitators, and busy yourself with some pet benevolence.

As we look more closely into this proposition of saving time, we find that the time saved in our new method of doing work is of the greatest importance and all of our labor saving machinery is time saving instead of labor saving. When a new method has been put to general use by which time may be saved, the shorter and quicker process determines the path that labor must follow. We increase in wealth because we increase the efficiency of labor by the introduction of machinery. The work done by machinery alone does not become a part of our wealth and is not shown in the price or value of our products.

Men today are no more powerful either mentally or physically than were the men of ancient times. If men are no more efficient than in olden times and if we are not permitted to increase prices on account of machinery then by what subtile and mysterious influence does our wealth grow and increase.

Time is this element and its law of growth is universal throughout all nautre. We have limited forces with unlimited time and we begin to develop when this limited force begins to limit the time of its action. The amount of progress then depends upon successive shortening or savings in time made by a limited working power.

You may ask "why do you say a given product is secured in shorter time rather than say a greater product is secured in the same time." We cannot produce ten pairs of shoes, for example, in the time we formerly produced one pair except we first produce one pair in less time. We are governed by units of force and units of time and we grow by multiplying these units step by step. We do not jump into successive periods of development. Before we may produce ten pairs of shoes in the time we formerly produced one pair we are required to reduce the time consumed in making one pair to one-tenth its former limit.

When we are able to see that a saving of time in doing work so modifies the structure of society that new habits are formed and old ones become useless, we may throw some light upon the subject of money. When money supplanted all other means of exchange by barter it did so on account of

the great amount of time that could thus be saved, and, in doing so it allowed a given force of labor to accomplish more in a given time.

Money saves time in every direction, it permits intelligence to replace chance and accident, having money we may plan and work with a purpose and execute without unnecessary delay. In this way money develops a market wherein greater time is saved and this market controls all our activities and gives rise to all demands for employment. The market is the place where the best development comes in central abundance from all over the world to be scattered among individuals for their benefit. The market is the center of distribution where social wealth accumulates and where it breaks up to be carried away, here each day tens of millions of wealth gathers in vast reservoirs to be let loose in trickling streams.

The men with plenty enjoy a freedom and independence never before realized on earth, but the destitute suffer new hunger and misery never before visited upon humanity. As money enters into all of our methods and saves time in every direction, it is able to cast off the old way of doing work and render it obsolete by making it unprofitable.

When a new invention is put to use, time is saved, we call it labor saving, because we get greater results from labor in less time, but labor is not saved. Take the sewing machine for an example and we find the labor of sewing has been multiplied many times by this machine. The typewriter resulted in an alarming increase of writing in addition to the new labor engaged in the industry. The telephone increased the labor required for messages by the time it saved when it was expected to do away with such service. What is true of these conspicuous examples is true of all mechanical devices and of all organization of labor, and it brings up the important problem of how all this new work is paid when formerly it was difficult to pay for much less work.

We have been steadily increasing the quantity of what was formerly held to be non-productive labor, we pay such labor higher wages, and it is now increasing so fast that the market depends upon the wages spent by such laborers to

carry away the products made by machinery. Where do we find the money with which to pay all this labor? How does the value of this labor arise since it has no direct connection with the value of goods?

The time saving processes introduced by money and science are abolishing the old methods of work altogether and are providing new occupations where pleasure is connected with work and where very high wages may be received. So great is this demand for more and more labor that the labor of women seems now indespensible and it is probable that children must also be employed. This employment of women and children may be expected to become a part of our educational system whereby production will at last make education self sustaining.

The question arises how we find the money to pay all this labor. The old theory was one of landlord and tenant, of master and slave, of employer and employed. Common agricultural labor was supposed to create all wealth, all other labor, and all the lords and landlords were carried upon their backs. The source of wealth was supposed to exist in the hatred and difficulty of work, and labor was a curse first visited upon Adam in the Garden of Eden. We are rapidly approaching the time when we will look upon labor as our chief source of happiness and the theory that labor is entitled to wealth on account of hardships endured will no longer be admitted.

Our present world demonstrates to us that although wealth is based upon labor it is not based upon hardship and misery, but arises on account of the services human beings render each other and the best service is not only best paid but is our chief source of happiness. If the commodities which we buy with money are not the cause of value and wealth. what part do they play and upon what does our employment and wages depend?

Commodities are the means of distributing wealth by collecting and distributing money and keep us employed by the constant exchange of money for commodities. In order that labor shall be paid it is necessary that money be had with which to pay it, and in order to get money it must be made to circulate through the market. Money paid in wages seeks

the market and buys goods which are taken away, and the money received for the goods is used to purchase more goods and thus returns again as wages.

Our activity and social development is built upon a foundation of wages made up of dollars of value that have been earned by properly employing labor in directions where time was saved, thus forming habits, desires and paths for the development of civilization.

We may begin our investigation with a given unit of Labor and a given period of time, it is this union of labor force and time in money that gives rise to the quantity of value in the civilized world.

Money becomes valuable when it has been paid to labor for time spent by him in some services for his fellow men and for society. To merely employ labor with money for some time may fail to create value because value will only arise when the money employing labor is properly directed.

We get easily confused at this point because every dollar has now the power of being instantly and constantly valuable. We have now so much labor properly directed that our money is in constant use and always valuable. But we might have money not so endowed with value as we have had in the past, money that would not perform its proper functions and would not be accepted at its given value. Money spent in employing labor in the right direction for a given time becomes dollars of value and the total sum of value arises by the employment of the total sum of dollars in this way.

In order to understand our present financial situation it is necessary to realize the natural conditions that limit money on one side and labor on the other side. Money, in order to become valuable, employs labor in a given direction during a given time, in a particular way, all of which is determined by laws of evolution and is not determined by human law or caprice. Labor on the other hand, to become valuable, must work through money at its selected employment during a given time.

Therefore we may have labor and money out of work at the same time because we may interfere with the market.

Dollars of value are like cells of protoplasm endowed with

life and they build the structure of society and its food and shelter, by moving in every direction in periods of time according to superhuman plans and in obedience to Divine Purpose.

How may any man know when his money or labor is correctly employed and will create value and return a profit?

He may only know from the market and he engages his money and employs labor to produce things which he hopes will be valuable, and the market will determine whether or not his judgment has been good and he succeeds or fails accordingly.

This brings us to the point where the supposed conflict between labor and capital arises because this dependence of labor upon money properly directed and the dependence of money upon labor properly employed is the foundation of all wealth and activity.

Labor is helpless without money, and money is equally helpless without labor for labor cannot directly employ itself nor can capital be self employed in spite of the perfection of machinery.

The market is the guide by which capital and labor is directed and prices fix the limit of industry on every side.

Writers who notice this dependence of capital and labor upon the prices of goods jump to the conclusion that value arises from the labor producing these goods and money merely introduces a higher form of barter and receives its value from the goods.

But the introduction of machinery completely refutes this theory because machinery continually diminishes the quantity of labor for each commodity and enormously increases the number of commodities without reducing the aggregate value.

If the value of goods was limited to the value of the labor directly engaged in producing them we could never sell them and would not be able to employ the labor set free for other purposes.

When we look upon the other side of the problem however, when we are able to see that money employing labor at every occupation gives rise to value, we then see that labor

supplies the wages with which it is paid and no class is supporting any other class. We thus find that demand for commodities or other property continually outruns supply, leaving a wide margin for profit and for new development.

If ten men may produce enough commodities to supply one hundred men and the other ninety produce value by being employed in other directions, then the market will not depend upon the value of the labor of the ten men but will have a demand created by the wages of the hundred.

The labor continually set free in the lower occupations of mere strength and endurance is employed in surrounding occupations of a higher order where time is shortened, where more value is created, and where higher wages may be paid.

This increase in the quantity of value by the wider employment of labor so increases the demand for goods that the selling price of commodities in the retail market is very much higher than the cost of production, thus allowing an increased sum of profits to circulate for wider employment and higher wages.

Coal, for example, is one of the most simple and widely used commodities upon which only a little labor is employed yet all the people must buy coal in the retail market.

Coal costs from one dollar to two dollars a ton to produce and retails at about three times the cost of production.

This higher retail price is made up from the wages of labor in other fields. The money they earn becomes a demand for coal and is distributed back from the market to keep them employed.

Thus you will find that the railroads and the industries of a state like West Virginia depend almost absolutely upon this retail price of coal and not directly upon the production of coal wherein only a few miners are employed.

This dependence upon the market may seem to create our selfishness and our commercialism, but it is quite the contrary for the market is the foundation and source of civilization.

To understand the market is to understand the higher purpose of society because the market expresses the desires of all the wage earners and is the seat of the social consciousness.

In order that savages might develop into higher human beings it was necessary to teach them by example how to satisfy their appetites more easily and it was necessary to create new desires in them.

By putting money in the hands of men and by displaying goods in the market so as to tempt men to spend the money, nature put life into money and gave it consciousness, for money then expressed a living principle, the pushing outward of new impulses, of new desires, and the forming of new habits, functions and organs in society.

As our market grows in abundance and in variety so, also, does the power to purchase grow with it and a new standard arises by which humanity is put to a new and higher test of endurance.

The man who spends his money for drink and debauchery is weeded out like the man in olden times who could not fight and conquer. The man, on the other hand, who uses his earnings to protect his family, to improve their condition and to help his friends and who lives a civilized life becomes the parent of the future and is a success in the present.

We have arrived at a new age wherein plenty shall become the test of humanity instead of poverty and wherein the human brute may kill himself with feasting.

We see Nature, on every hand, seeking the men who may become rich without becoming fools, who may gain knowledge without pride and who may enjoy life without being destroyed.

CHAPTER III.

It takes time to make riches because wealth grows and it takes time to grow. No man has a talent for making money, and the stories of great wealth created by intense mental effort and financial genius are fairy tales intended to delude the public. Wealth grows during time, it is created by nature, like the "Lillies of the field that toil not."

The great inventor is at best but a small part in this general machinery of growth and his special talent would have had no greater reward from Nature than like talent otherwise employed.

It takes time to grow wealth but when once started we may grow upon the principle of doubling each cell every revolution until we have engaged all the forces at our command and have made all the saving in time.

Money employs labor and saves more time in some directions than in others and this difference becomes a profit to the employer. Money is of itself, the chief instrument in saving time and when properly used, therefore, each dollar may return a profit from money alone. But in order to get this profit the money must be paid out to labor and the advantage of money passes to other hands and is used by labor mainly in the selection of goods in the market.

When a given sum of money is broken up by the employment of labor this money, or other money, must be gathered together again in time to meet the next pay day.

This illustrates the necessity of rapid circulation and the more times, in a given period, a sum of money can be turned over or circulate, the more value and profit will accrue.

It is necessary to distinguish money thus circulating to create value from the money that circulates to measure values, to make changes in prices, and to exchange property among owners.

Money may circulate many times in changing owners of property without creating a dollar in value or changing the general wealth. When a given sum of money is broken up by paying wages, it will necessarily pass slowly from hand to hand in small sums among many people.

In such case men who have use for money must seek those who have small accumulations and pay unreasonable charges and will in return exact hard conditions from those whom they may employ.

The greatest step in advance, that followed the introduction of money was the invention of banks and banking where a central institution saved much time by converting many small and individual bankers into a mechanism for freeing money.

By the machinery of banking many small sums of money could be safely stored, the needs for money could have quick relief at standard and uniform rates of interest, and what is more important, a depot was created where deposits of value may accumulate.

If the reader now understands that the quantity of value arises from the number of dollars that may be employed by labor in a given time he may easily trace the growth of value and of wealth.

A sum of money, let us say one thousand dollars, employs first one group of men and passing on employs another and then another so that in this circulation we have created a value of three thousand dollars with one thousand dollars cash, but the difficulty is to see how one thousand dollars can thus become three thousand dollars without an expansion of the currency, because if the first thousand must be spent and collected before it is spent again we do not get three thousand dollars in value but have merely a continuous circulation of one thousand dollars.

The point we wish to make clear is the method by which value increases in absolute quantity.

To grow in value means that money must be able to reproduce itself without increasing the actual money.

Unless this were done we fail to get an actual increase in the quantity of value and could not increase wages or employ

more labor since we would only have the same number of dollars at work.

The profit that arises from the use of money in its first circulation will become a deposit of dollars in bank. The original money deposited will return to keep up the original circulation.

We now come to the most important point in the distribution of wealth and finance.

This profit on becoming a deposit of value becomes a secondary money and is much more useful in employing labor and in increasing wealth than the original primary money.

With a bank check A can write money to pay B and he may pass the check to C and so on to D and back to A, and a transaction involving thousands of dollars may not require more cash than the small reserve in the bank to secure the deposit.

Having a system of deposits and checks we secure an automatic bank of issue with money practically free, where every individual may issue his own money in amounts to suit each transaction.

Thus before Proudhon conceived his idea of free banking we had a system of free banking in existence very much superior to any system human ingenuity could supply. This secondary money of banks has the further advantage that it permits us to expand money of one kind, the kind that needs expansion, and at the same time maintain a stable volume in the primary money required to act as a measure, and standard of value.

All mistakes in finance have arisen from the failure to notice the important difference between dollars employed in creating wealth and dollars employed in measuring value, in determining prices and exchanging property among owners. The dollar of value is the unit of wealth, and we grow in wealth only as fast as we can multiply these units, all growth arises from profits made by saving time, and our wealth increases as we are able to expand this currency of our banks and to employ this bank money in development of all kinds.

This process of growth in wealth is a result of the free in-

terchange of profits into wages and back into profits through the new dollars of secondary money.

Money may expand in this manner to the uttermost limits and employ all useful labor, and the higher the wage rate the greater will become the rings of growth. It is not now difficult to understand that our wealth cannot finally consist of primary money and of value deposited in banks.

Money is used for a particular purpose in society, and value accumulates in banks for a particular purpose also, and when this purpose is interfered with we interfere with the distribution of wealth.

Money provides the units or cells with which we build, labor provides the force and life by which these cells grow into more cells.

What grows first is a given quantity of value so as to provide for an abundant cell expansion, but this value must be permitted to grow into some kind of structure and tissue.

Like other growing organisms society requires a large amount of consumable material to keep it alive and we are required, first, to use the value of money to produce consumers' goods of every description.

With this part accomplished we are then required to build the houses, roads and plants that make up the muscles, veins arteries and tissue of society.

The body of society is the solid earth. We supply arteries, for example, in our means of transportation by our roads, our railway systems and our ships.

The streams of traffic along all the routes of transportation burdened with goods and materials in endless variety and with passengers and workmen make up the blood of society.

Let us take the locomotive engineer who drives the 18 hour train from New York to Chicago to illustrate this fact. This engine driver is an inspiring sight to us as we think of the human beings in his care and the power and speed of his engine.

But he knows how small is the part he may play in this daily schedule where thousands of men unite to make up the running of a passenger train.

The engine driver is a living corpuscle in the blood of

society guiding other living corpuscles in swift flight through an artery to be distributed as the market determines.

If you understand that money and the free value in banks makes the innermost circle from which we grow we are ready to follow this growth upward.

Our difficulty will now consist in tracing this simple growth of money and profits into goods and other property, to trace primary money through primay goods into secondary money.

Dollars of money are the simple and primary units of value and checks and drafts are compound and secondary units depending upon being able to change into primary units on demand.

Labor producing consumers' goods is primary labor and must be paid, as a rule, in a primary money.

The labor set free by machinery and engaged in other occupations is secondary labor and it likewise depends upon primary goods for its wages, but for its employment it depends upon the construction and maintenance of secondary property.

This entire action of primary and secondary, from center to circumference and from circumference back to the center again, depends upon the interchange of profits into free value in banks, this value into secondary money and this money into wages for secondary development.

We have a given volume of money and we have abundant banking facilities, we use a part of this money to employ a given number of laborers at established rates of wages.

To illustrate this process of distribution we will divide labor into three general classes.

The first class will include all laborers engaged in the production of consumers' goods.

The second class will include those engaged in building and maintaining all secondary property.

The third class will include all other servants, professional and government employees.

The goods produced by class one are bought by all classes and the price of such goods includes the sum paid in total wages and furnishes the circulation of money.

The wages received by classes one and two, being much less than the retail price of the goods, there will always be a margin of profit with which to employ secondary labor in its many occupations.

When the price of goods is too low to admit of full employment at prevailing rates we cut off a corresponding number of laborers.

The minimum rate of wages is fixed by the standard of living of our time and is higher than the sum required with which to buy the necessary consumers' goods.

For purposes of further illustration we will divide the wage into three parts to conform to the three classes of laborers.

The wage of common labor will include first, his requirement for consumers' goods, next his rent and pleasure and necessary personal service and a surplus.

We have then a given circulation that allows us to pay wages to all classes of labor and allows a profit for expansion of development.

We begin our seasons of prosperity by employing labor in producing goods and out of the profit received from the sale of these goods we increase the demand for more goods and we increase the circulation of money by using bank deposits to add to our volume of currency.

Thus we proceed from point to point increasing demand over the entire market and increasing the prices of all commodities.

This increase in price of goods will cause more labor to be employed and will cause secondary development in building houses, factories and in new railway and other facilities.

In this way you will find prosperity will grow with leaps and bounds until it takes up all unemployed labor at ruling rates of wages, and then suddenly the market receives a check because further advance depends upon the increasing sums of profit returning to raise the total of wages by raising the general rate.

After the market for material has advanced in every direction and commodities of all kinds are selling freely at increased prices we seem to run against a stone wall that prohibits all further advance.

This is not difficult to understand when we realize the difference between commodities and fixed property and the necessity of an equality of value between them.

When lumber, iron, bricks and glass and all the material that enter into and make up our fixed property have advanced in price, then fixed property must also advance in price and new buildings must be built to supply the increasing demands.

But here we find the stone wall, the failure of distribution, because when we attempt to use the large surplus value to bid up the price of houses and other fixed property we are met with property in land and the price of land advances alone on account of this increased demand, because rents are increased by the general prosperity.

The wages of a great class of laborers being thus limited by a fixed price for a great class of property we find ourselves utterly unable to distribute this new wealth and instead of a continuation of prosperity we get an active real estate market followed by a panic.

For example the railways of the United States pay out in wages one-eighth part of our total circulation.

When we reach the point where new profits should be distributed in higher wages we find that such property cannot increase in value and earnings so as to admit of the required increase in wages.

Although railway earnings increase rapidly in prosperous times the net increase is not great and railroads are compelled to borrow money to make the necessary expenditures required by new business and cannot increase wages to the extent required by the laws of distribution.

While prices of goods are thus advancing over vast areas of the market in every succession of crop and succeeding output of plant, and while wages are practically stationary, the advance of prices becomes a vast sum in profits that fails to become distributed and piles up as increasing deposits in banks and seeks avenues of investment in the hands of employers and merchants instead of increasing the rate of wages.

It is this failure of wages to advance above the rate fixed by the price for land that prevents the millions of laborers from acquiring any ownership in our fixed or corporate prop-

erty and compels our corporations to borrow without limit and to play a game of progressive bankruptcy.

Since we have so much idle value failing to be distributed and compelled to compete with value engaged in business we keep increasing our facility for getting into debt as fast as the power to pay our debts diminishes.

If the rates of profit and interest were not thus interferred with by the competition of idle money we would be very anxious to pay debts at maturity so as to take advantage of higher rates of interest.

But when we are confronted by a falling rate of interest and when a few men control millions for investmnet we are forced to go contrary to development and to encourage the increase of fixed indebtedness.

When this idle value begins its destructive competition, the growth of wealth is checked, and it is checked first by the failure of the value now competing to engage in production and raise wages, it is further checked by the fall in the rate of profit and interest caused by a division of profit between the working money and the competing money in the market.

This division of profits calls for a very great fall in the rate and allows a corresponding unequal distribution of wealth because some forms of property may now advance in price for no other reason than that the idle money will capitalize at lower rates than if it was employed.

The value that now fails to enter into new construction, that fails to go out into the market and be broken up into higher wages must begin to accumulate as idle bank deposits and must continue to grow in volume without an outlet of distribution until it creates its inevitable panic by contracting the currency.

To make this congestion of value clear to the reader, let us suppose these billions of dollars in banks are used by depositors to buy real estate at advancing prices or to bid up securities of railways and industrial corporations on the stock exchange.

We have then what we call a boom market but we do not distribute any of this fund, we only succeed in making wealth more unequal by the profits some men make from rising prices and by gathering the deposits in their name instead of the names of other depositors.

It is a law of nature that we cannot distribute new wealth unless we do so by employing labor and paying it out in wages. ' Swapping jack knives or shares of stock or city or town lots and farm land will fail to relieve the congestion.

When deposits in banks fail to go into the market and become a part of the wage fund, they keep on accumulating and begin to bring about a general failure by bringing on a general disastrous contraction of the currency in opposition to the rising prices caused by the buying and selling among property owners.

For each ten dollars of value deposited in a bank a reserve fund of one dollar in actual primary money must be retained so as to redeem the secondary money of checks or drafts as they may be presented. And since there is a very distinct limit to the quantity of primary money and no limit to the volume of deposits we arrive at a point where every dollar has been wound up and rounded into bank vaults and there is no money outside to pay with.

For example: When our bank deposits were two billion dollars some years ago we were required to have but two hundred million of actual money in bank to redeem checks, but at this time the deposits have grown to twelve billion and now one-half of our total circulation, or more than a billion of actual money is held in bank vaults as reserve and this sum must continue to grow until we break it up with a panic.

As these deposits keep on growing and as we keep contracting the currency we reach the limit of credit where we cannot expand our debts to any greater volume and then prices begin to fall.

Since primary products like wheat and corn are most dependent upon primary money we find such commodities first to suffer from a fall in price and this fall in price reduces profits and checks the increase in deposits.

But now the difficulty arises of checking the fall of prices which are like ten pins and knock each other down in falling.

This loss from falling prices causes a drain upon banks by depositors to make good their losses.

The banks at this time hold practically all the available money in the country and they have loaned it over and over again, they owe their depositors tens times as much as they have money with which to pay.

One depositor drawing out money that fails to return will weaken the bank in the ratio of ten to one because the cash assets diminish in this ratio and the cash liabilities remain the same. The bank, in order to protect itself, seeks to have this money returned and attempts to force borrowers to pay at a time when money is most difficult to secure.

Borrowers, also, stand like ten pins and in a general bowling few are left standing, we have a panic before we realize what has happened.

CHAPTER IV.

When any community begins to develop a civilization and increases its wealth certain advantages of location will arise where profits may be taken without having been earned.

There are vast stores of metals and minerals that become mines of unearned wealth to the owner, there are harbors on the coast, rivers and lines of communication, there are sites for cities and towns, and an endless variety of advantages arise from the private ownership of land. If we could pay the owner his toll as we use the land, month by month or year by year, we would suffer no greater loss than such payment implied.

But along with the right to levy this toll goes, also, the right to sell the privilege of taking future toll. The sale of this privilege to the highest bidder is the cause of our trouble, this selling of land which is a free gift from Nature and composes the body of society, is the prostitution of society in the general market.

Beginning with our civilization this prostitution of natural relations has grown from nothing until we must now pay fifty billion dollars to recover our social body if we were to buy it from its owners. Since land, and all it contains, is a free gift from nature, to buy or sell this earth, to parcel it out, to traffic in it, to measure it with human labor, to balance its value with the value of labor, is in direct violation to all the laws for the growth and distribution of wealth.

Property in land can have no value of its own. Value can only arise from money employing labor, in saving time, and all the value that attaches to land must do so at the expense of all other property and reduce its value accordingly. The value of land causes a division in the total value and compels the workers to share half the wealth of the world with those who do no work and this is the overmastering cause of unequal wealth.

The land owner, as an owner, has no power given him from land to create wealth, he can add no more wealth to the general fund than his own labor may create. but the land-owner has the power of preventing all the labor and machinery on earth from working by controlling the land and does thus interfere with the processes of production and distribution until he exacts the last penny of tribute that labor and capital is able to pay.

He has power to collect toll for the use of land and we cannot move hand or foot in growing our wealth without his land and so we must pay him, by the increase in the value of land, all the margin above the cost of keeping the machine at work. And when he sells this toll collecting privilege he gets the highest price in money that the same income will command in any other property.

The value of land is thus a sum of value taken from the general fund that otherwise would have been distributed in higher wages, in higher prices for goods and for other products of labor and machinery.

Had we been able to increase wages and other prices as fast as we were able to create the value with which to pay for them we would have had no panics, no congestion of idle deposits in bank, no concentration of wealth, no poverty and but little vice and crime. There are millions of outlets for surplus value to be made by increasing the wages of twenty million laborers and such outlets will prevent the congestion of wealth and its unequal distribution.

Distribution consists of a continuous interchange between wages and profits, the wages of yesterday leaving a margin of profit today and profits today creating increasing wages tomorrow, the higher wages of tomorrow building profits higher and so, to continue ever widening the scale until all labor is engaged, all machinery invented and all time has been saved.

When some form of investment arises whereby a large share of these accumulating profits may get around this law of distribution and may be invested without breaking up into new or higher wages, such an investment will at once become a radical interference with all progress.

We know that all forms of creation, including the works of man, are subject to change, to decay and to destruction, all our fixed property of plant and machinery requires constant care from labor and constant expenditure to maintain.

A form of property is created by law, the law of remote custom from ancient times, and such property is an exception to the laws of change that govern all creation. Such property cannot burn, cannot be stolen, it will not run away, it requires no care or expenditure to maintain, and it grows in value while the owner sleeps and without cost or trouble to him. This property, when in considerable quantity, will absolutely control prices for all investments and it will absorb all the surplus value above the limit of profit it dictates and establishes.

The value of land increases by offering a better investment for accumulating profits and savings than may be offered by any other property, and, at the same level of prices, it will sell first, and when other prices rise it will follow with a rise and it will absorb the sum that wages and profits have gained in periods of prosperity by a boom in land values. When a sum of value accumulates in the bank it will be invested to return a profit however small.

There are but two possible roads for investment, one is the natural outlet in the development of society by employing labor and machinery, the other is to buy property in land. If men were prevented from trafficking in property in land there would be no limit to the markets for labor except the ability of labor to supply its own market. No matter then how great may be the profits from new inventions and machinery such profits must be broken up in new development and thus get into the wage fund and stay there to make higher prices and higher wages. But when land may be bought and sold a limit is set, on every side, to enterprise, profits are limited, wages are limited and the extent of trade and business is limited.

The very first expenditure we are required to make is for land, and the price paid for land leaves so much less to pay for all labor and supplies, and the money so spent is held permanently out of the general market and is kept permanently in the real estate market. Let us suppose A saves $500 from his wages, and in seeking an investment for his value buys land

from B, which cost nothing. We see on the surface only a change in relations, B and A seem to have only changed places, B having the money and A having the land.

But suppose A had bought commodities from B, then there would have been a demand for five hundred dollars in goods where there is now a congestion of value. But you may say B can buy commodities now just as though A had done so originally. But originally, B had nothing with which to buy and A furnished him money which he earned and now B has money received from A. When, therefore, you suppose B could take the place of A in buying commodities you do so believing that B buys with the value received from A. But such is not true; A has his value invested in the land and the money given to B has the power of taking up a new supply from the general fund, when B spends this money he reduces the general circulation of value and forces a division of wealth. But you may ask who is injured in this trade, granting that B gets five hundred dollars without having worked, since A can always sell and get his five hundred dollars returned to him.

What has taken place on account of this trade is this: B an outsider, has the power to force a division of wealth, and since A does not lose the loss must fall on the market. When A received five hundred dollars from the general market for his work the other laborers who paid him must have A spend this money for work so as to keep up the demand, and when this value is invested in land there will arise a short demand and its overflow of supply. This surplus of supply will start competition so as to shift the loss to the weakest property offering for sale in the market and later the attempt will be made to shift the same loss to the weakest labor.

B cannot take the place of A in this market and cannot supply the demand that was to have been supplied by A, otherwise one man could be expected to buy and consume for all other men instead of the market being made from the demands of each man. What we miss in following this money and allowing A to drop out and B to come in is one revolution of five hundred dollars in circulation, and this revolution we miss would have been supplied by secondary money had A and B both purchased goods with $500.00.

To assume that A buys land and B buys goods in only one transaction, but to assume that A buys goods from B and then B buys goods is to spend money with the quickness of thought, and in such case secondary money would have been necessary in order that two such purchases be made with the same five hundred dollars at the same time.

We use primary money slowly in our circulation and the changes in demand arise from changes in the volume of secondary money which are concealed and which are most difficult, if not impossible, to follow. The competition arising from idle value becomes more and more disastrous as more and more value is held from the general market and as rates of profits decline. Money becomes plentiful and cheap as the avenues of employment are being closed, and then the competition of this idle money becomes the cause of the rapid change and concentration of wealth.

This competition, and this pressure for investment, continues until the loss and risk in all small business and trade becomes so great that trusts and combinations furnish us the only means of defense, and at the same time the idle capital furnishes us the means to build our defenses by providing enormous funds at low interest. Although we have been able to establish powerful combinations better able to resist loss to property in land it has been like trading the "Devil for a Witch" so far as unequal distribution has been concerned. The financiers who were interested in railways and other securities were quick to see the advantages to be gained from low rates of interest and from billions of dollars of idle bank deposits seeking investment. They were able to buy competing railways and make them over into noncompeting systems to sell increased volumes of new securities at low rates of interest and to reap enormous profits in the deals.

Then there began a new era for investment in combinations and trusts, which, on account of great size, offered a security in their bonds that could compete to some extent with property in land. Land value was having some disadvantages, and to secure its profits required the control of improvements, and it could not escape increasing taxes as easily as the bonds one might store away in a safe deposit box.

New York financiers found it to their interest to create a cash market for every bond and share of stock listed upon the established exchange and land was often difficult to sell for cash. Wealth that before was accumulating to tens of thousands of land owners now began to flow in secret channels from banks all over the country and concentrate to a few men and syndicates in Wall street and make them fabulously rich. This unexpected result, has been startling in the extreme and has filled the country with a vague feeling of unrest that indicates a great change of some unknown kind.

It may seem that property in land, as the chief cause of unequal wealth, had received a check by a remedy worse than the disease, but the recent rise in the value of land demonstrates that its power has not been impaired. It appears that while our financiers were engaged in a strife to secure the idle millions of bank deposits without any idea of introducing improvements in civilization, they, nevertheless, builded wiser than they knew when they collected the scattered ends of competing enterprises and combined them into powerful and resistful systems. In so doing they introduced new and powerful time-saving organizations and greatly increased the growth of wealth and profits, these new gains have increased the idle value and now real estate is rapidly advancing to gather in the new surplus. The remedy for the great and general evils of the country is as simple and easy to apply as any one could wish. We need only to change our system of taxation, relieving all property of taxes except property in land, and to take the toll collected for the privilege of using land to pay taxes. This is the Single Tax.

This method of taxation is admitted by the authorities to be an ideal method, a perfect scientific system of taxation which no man can dodge and no man cheat or evade. But the objection urged against it is that the value of land will thereby be confiscated. Think of it, the only objection that can be urged against adopting a remedy for existing evils is that the remedy will undoubtedly be effective and will do the work. But even this objection, that the single tax will confiscate the value of land, is a mistaken one.

That value will be driven from land when the income upon

which it is capitalized is taken for taxes there is no room for doubt but that confiscation will occur is a mistaken and groundless fear. The total quantity of value is determined by the circulation of money through wages and this total value now attaches to two great classes of property and only to these two, property in land and property created from labor. The single tax will put no stones in the way of the circulation of money or of its distribution, hence the sum total of value will not decline, and the value we drive away from land must find its natural channels of distribution and spread itself over the remaining property by increasing prices and increasing wages.

The land owners own, also, practically all of the other property and this change of value will add to one part what has been taken from the other part. This will cause a new distribution of fifty billion dollars in value and will cause a radical change in the character of property because there will then be no exceptions to the laws of change and the distribution of wealth can not be interferred with. This new distribution of fifty billion dollars in value will practically double the value of all our secondary property and must correspondingly increase wages.

These higher prices for all goods and materials and the higher prices of improvements and plants and higher wages means a very great increase in the total sum of value in circulation, and consequently will prevent all congestion and unequal distribution. The division wall between property resulting from service rendered humanity, and property resulting from a privilege conferred by law will be broken down and a healthy condition of society will arise, both morally and physically. All property will then be subject to natural laws. There will be no idle capital, no idle labor, and no hard work and poor pay. A social system generating evil is very much worse than any quantity of individual wrong doing because the individual evil carries its own remedy and has no outside support. The responsibility for the evil of our times is not an individual or corporate responsibility, and it cannot be laid at the door of the rich, of corporations, or of government favorites.

Our widespreading poverty, vice, crime, insanity and suicide has crept upon us without our knowledge or consent while the earth was being bought and sold. At first the losses were light and widely distributed, but they soon began to eat away the foundations of society and to corrupt the heart of humanity. The wrong has been a social wrong for which no individual or class has been responsible, but when the right becomes known then the responsibility for crime, vice and poverty fixes itself upon the individual, and he is to blame who fails to do his duty, by helping to abolish the wrong and by establishing the right.

Welch, W. Va., April, 1906.

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TITLE